

# Al Meezan Investment Management Limited

## A Crisis Is An Opportunity

Dear Investor,

Pakistan's stock market remained under pressure since the start of the new fiscal year amid political turmoil that gripped the country. From the peak levels attained on May 24, 2017, the market corrected more than 25% to reach its eleven month low of 40,461 pts on October 4, 2017. Despite the pressure, the month of September witnessed foreign inflows to the tune of USD 28.3 Mn on account of inclusion of 5 additional scrips in the FTSE Global Indices. This suggests that the foreign selling has largely been subsided and we believe that market should recover from hereon.

A major drag on the benchmark index during the period emanated from the banking sector owing to imposition of USD225mn penalty on Habib Bank Limited by New York State Department of Financial Services as well as a potential PKR 48 bn one-off charge on National Bank of Pakistan (pension case). HBL's stock price shed over 42% since the start of the fiscal year before staging a recovery, while NBP closed down more than 17% for the month of September.

The recent volatility has resulted in a significant correction post which the stock market's valuations have become quite attractive once again, currently at a P/E multiple of 8x. It is also pertinent to note here that after a significant gap, foreigners were net buyers during the months of August and September 2017. This is a very important development showing that foreigners are also taking advantage of the current attractive valuation levels.

Despite the recent correction, Pakistan's economic fundamentals are expected to improve consistently whereby the government, after achieving a near decade high GDP growth of over 5% in FY17, is now targeting a growth of 6% for FY18. Furthermore, strong corporate profitability expectations and fast paced development under the ongoing CPEC projects going forward will further stimulate economic activity.

As the political uncertainty had been overplayed, we believe that the market provides a unique opportunity for investors to enter at such attractive levels and utilize the upside potential that it is currently offering owing to the recent correction. We would also like to highlight here that our flagship fund, Meezan Islamic Fund posted a return of 22.88% during FY17, outperforming its benchmark, the KMI-30 index by 4.09%. As such, we would advise our investors to take/increase their exposure to equities through professional investment management services.

We would therefore encourage you to continue investing with Al Meezan through our professionally managed mutual funds in order to derive the benefit of a potential upside in the equity market. We thank you again for maintaining your faith in us for managing your investments and sincerely hope to remain as your top choice for Shariah Compliant investing.